

11 August 2021

GEM DIAMONDS LIMITED

H1 2021 Trading Update

Gem Diamonds Limited (LSE: GEMD) (“**Gem Diamonds**” or the “**Company**” or the “**Group**”) provides the following Trading Update detailing the Group’s operational and sales performance from 1 January 2021 to 30 June 2021 (“**H1 2021**” or the “**Period**”).

Highlights:

- Three diamonds greater than 100 carats were recovered during the Period, including the recovery of the high quality 367 and 254 carat Type IIa white diamonds.
- The highest price per carat achieved in the Period was US\$119 886 for a 3.35 carat pink diamond.
- The highest price per carat achieved in the Period for a white Type IIa diamond was US\$40 139 for the 254 carat stone.
- Carats recovered during the Period were 58 831 (H2 2020: 57 504).
- Carats sold during the Period were 55 124 (H2 2020: 55 939).
- Revenue for the Period was US\$104.0 million (H2 2020: US\$115.1 million).
- Average price achieved for Q2 2021 was US\$2 131 per carat, an increase of 31% over Q1 2021, resulting in an average of US\$1 886 for the Period (H2 2020: US\$2 057 per carat).
- 10 diamonds sold for more than US\$1.0 million each, generating revenue of US\$36.1 million during the Period.
- The 2021 production and cost guidance, as reported on 11 March 2021, remains on target.

Covid-19:

- The Group continues to stringently apply its wide range of Covid-19 protocols, health and safety measures and other precautions to protect its employees and contractors at its operations. This has had a positive effect in containing infections across the Group and has allowed operations to continue in a safe and responsible manner.
- The Group continues to provide support to its workforce, contractors and surrounding communities in its efforts to curb the spread of the virus where it operates. Letšeng partnered with the Government of the Kingdom of Lesotho to increase preparedness for the impact of

Covid-19 in project-affected communities. The mine acquired 20 000 doses of the Johnson & Johnson vaccine for use by the Government of the Kingdom of Lesotho in its national vaccine rollout programme.

- The Ministry of Health has confirmed that the vaccinations rollout for the workforce at Letšeng will commence on Friday 13th August.

Corporate and Financial:

- The Group ended the Period with US\$33.9 million of cash on hand. Drawn down facilities amounted to US\$14.3 million resulting in a net cash position of US\$19.6 million at Period end (Q1 2021: net cash of US\$11.7 million).
- The Group had undrawn and available facilities of US\$61.0 million at Period end. The Letšeng LSL500 million (US\$35.0 million) revolving credit facility which expired in July 2021 was rolled over to December 2021 to facilitate the consolidated debt refinancing project of the Group's key credit facilities which is planned to be concluded in Q4 2021.
- During the Period, Letšeng paid the remaining dividend of US\$10.0 million which was declared in 2020. This resulted in a net cash flow of US\$6.7 million to Gem Diamonds and a cash outflow from the Group of US\$0.3 million relating to withholding taxes and US\$3.0 million in respect of the Government of Lesotho's share of the dividend.
- During the Period, Letšeng settled its 2020 income tax obligations resulting in a payment of US\$11.7 million to the Lesotho Revenue Authorities. In addition, the first provisional tax payment for 2021 amounting to US\$3.8 million was paid in June 2021.
- Following the AGM on 2 June 2021 and approval of the 2020 dividend, US\$3.5 million was paid to the Gem Diamonds' shareholders on 15 June 2021.
- The Business Transformation targeted US\$100 million in incremental revenue, productivity improvements and cost savings over the 4-year period to end 2021 remains on target to be delivered.
- The process to sell Ghaghoo continues.

Gem Diamonds' CEO, Clifford Elphick, commented:

"It is pleasing to see demand for Letšeng's high quality diamonds continue the upward momentum from late 2020 with strong prices achieved in the Period.

The stringent Covid-19 protocols implemented at Letšeng have contained infections and allowed operations to continue in a safe and responsible manner especially through the recent third wave experienced in Southern Africa. It is encouraging to have received confirmation from the Lesotho

Department of Health that the vaccination rollout at the Letšeng mine will commence on Friday 13th August.

We were pleased to welcome Rosalind Kainyah to the Board and are grateful to Johnny Velloza, who has stepped off the Board, for the invaluable service he has given to the Company over the past 5 years, initially as COO and deputy CEO and more recently as a non-executive director and are delighted that he will continue to act for the Group in a consultant capacity.”

1. Diamond Market

Prices achieved for Letšeng’s diamonds reflected the continued improvement in market conditions seen in Q1 2021, with prices achieved in the Period, on a like-for-like basis, higher than those achieved during the latter part of 2020.

2. Letšeng

2.1. Rough diamond sales

	H1 2021	Q2 2021	Q1 2021	H2 2020	H1 2021 vs H2 2020 % Change
Carats sold	55 124	28 208	26 916	55 939	-1%
Total value (US\$ millions)	104.0	60.1	43.9	115.1	-10%
US\$/carat	1 886	2 131	1 630	2 057	-8%

2.2. Production

	H1 2021	Q2 2021	Q1 2021	H2 2020	H1 2021 vs H2 2020 % Change
Waste tonnes stripped	10 167 526	5 237 843	4 929 683	10 405 661	-2%
Ore tonnes treated	3 139 719	1 616 616	1 523 103	3 082 405	+2%
Satellite pipe contribution (tonnes)	1 672 289	906 926	765 363	1 636 287	+2%
Carats recovered ¹	58 831	29 821	29 010	57 504	+2%
Grade recovered (cpht) ¹	1.87	1.84	1.90	1.87	-

¹ Includes carats produced from the Letšeng Plants, the Alluvial Ventures (AV) plant and the recovery tailings treatment facility.

Waste stripping continued in line with the requirements of the updated long-term mine plan to ensure the future availability of ore and incorporates the steeper inter-ramp slope angles. During the Period, a total of 10.2 million tonnes of waste material was mined.

Letšeng's Plants treated a total of 2.6 million tonnes of ore during the Period of which 1.7 million tonnes were sourced from the Satellite pipe and 0.9 million from the Main pipe. In addition, 0.5 million tonnes were treated through the Alluvial Ventures contractor plant. Plant 1 was shut down for 3.5 days for planned maintenance in which several remedial and preventative maintenance tasks were undertaken.

Following the operational performance in H1 2021, the 2021 production and cost guidance, as reported on 11 March 2021, remains on target.

3. Sustainability

In June 2021, a dedicated safety day was held for engagement with the workforce on safety, employee health and general performance related matters. These engagements were productive and a report back structure has been adopted to address the relevant safety, employee health and performance matters raised.

During the Period, 4 LTI's occurred, and the Group-wide All Injury Frequency Rate was 1.29.

No major or significant community or environmental incidents occurred across the Group during the Period. The Group has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is working towards including these recommendations into the Group's governance and risk management structures, strategy and reporting platforms.

FOR FURTHER INFORMATION:

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ABOUT GEM DIAMONDS:

Gem Diamonds is a leading global diamond producer of large high value diamonds. The Company owns 70% of the Letšeng mine in Lesotho and is currently in the process of selling its 100% share of the Ghaghoo mine in Botswana. The Letšeng mine is famous for the production of large, exceptional white diamonds, making it the highest dollar per carat kimberlite diamond mine in the world. www.gemdiamonds.com